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Culture and Institutions: Dispositional and contextual explanations for country-of-origin effects in MNC “ethnocentric” staffing practices

ABSTRACT

Although the country-of-origin effect on staffing practices of multinational corporations (MNCs) is well-known, its underlying *mechanisms* are under-theorized. Drawing on the cross-cultural management and comparative institutionalism literatures, we propose an overarching, theory-based framework with two mechanisms, dispositional and contextual, that might explain country-of-origin effects in MNCs’ use of parent-country nationals (PCNs) in their foreign subsidiaries’ top management teams. The tendency of MNCs from some home countries to staff these positions with PCNs is typically labeled as “ethnocentric”, a word imbued with negative intentions referring mainly to the dispositional rationale behind this staffing choice. However, fuzzy-set qualitative comparative analysis (fsQCA) of staffing practices of MNCs from ten home countries shows that both mechanisms – dispositional and contextual – have considerable explanatory power. Our methodological approach enables us to analyze conceptually distinct, yet empirically intertwined, societal-level explanations as a pattern, and thus offers a viable solution to integrate different perspectives in international and comparative research.

Keywords: ethnocentrism, country-of-origin effect, global staffing, multinational corporations (MNCs), fuzzy-set qualitative comparative analysis (fsQCA)

INTRODUCTION

Twenty-five years ago, Hofstede (1996) – commenting on the origin and history of EGOS and *Organization Studies* – argued that management practices are shaped by a company’s country-of-origin, notably its cultural values, and called for more cross-national research in organization studies. Recently, Hotho and Saka-Helmhout (2017) debated the future of organization theory and pleaded for a renewed interest in comparative institutionalism. They see this as befitting *Organization Studies*, which was “*born out of ambitions to create an international forum for organizational research and promote a contextualized understanding of organizations*” (Hotho & Saka-Helmhout, 2017:650).

We respond to these two related pleas by studying country-of-origin effects in the context of HQ-subsidary relationships in multinational corporations (MNCs). Country-of-origin effects are defined as “*that part of the differences in [...] strategies of MNCs that can be ascribed to the different national origins of these MNCs*” (Noorderhaven & Harzing, 2003:54). Earlier studies have looked at country-of-origin effects in the transfer of HRM practices from HQs to subsidiaries more broadly (e.g. Ferner 1997; Harzing & Pudelko, 2007); we focus specifically on staffing practices, which are themselves a way to transfer other HRM practices. The most important aspect of staffing practices in an international context is the executive nationality policy in foreign subsidiaries (Harzing, 2001), i.e. the choice between appointing parent country nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs) in foreign subsidiaries’ top management teams. This has long been a popular research topic in the international management literature. As such a range of variables that might influence staffing practices at the home country, host country, industry, and organizational level have been investigated (e.g. Ando & Paik, 2013; Ge, Ando, & Ding, 2020; Gong, 2003; Harzing, 2001; Harzing & Sorge, 2003).

Rather than conducting yet another study on the multitude of variables that might influence staffing practices, our focus is on building a *conceptual framework* for the

mechanisms underlying the country-of-origin effect in PCN staffing practices. Just like Ramamurti & Hillemann (2018:34) our interest is in finding “*underlying explanations that are analytically useful and potentially generalizable, unlike a firm’s nationality, which is a catch-all variable with no analytical value*”. We do so by integrating the cross-cultural management and comparative institutionalism literatures, the two key sources of the country-of-origin effect (Noorderhaven & Harzing 2003), and proposing an integrative framework of two mechanisms linking home country conditions to MNCs’ PCN staffing practices: dispositional and contextual.

We define the dispositional mechanism as the inherent cultural system of the MNC home country leading to high (or low) levels of PCN staffing. Culture is “*a collective phenomenon that manifests itself in people’s minds*” (DiMaggio, 1997:272), and this mechanism captures the influence of the MNC home country on staffing through the cultural system *internalized* in the minds of managers at the MNC HQ. We define the contextual mechanism as the institutional environment of the MNC home country leading to high (or low) levels of PCN staffing. “*Societal background institutions affect both the resources that are available for firms and the capabilities they develop*” (Hotho & Saka-Helmhout, 2017:649), and this mechanism captures the influence of such resource-based constraints due to the *external* institutional environment surrounding the MNC HQ. In order to highlight how culture and institutions shape staffing decisions differently, we use the labels dispositional and contextual - inspired by the attribution literature in Social Psychology - to describe the internalized dispositions and the external contextual constraints of the firm.

We argue that the dispositional mechanism explains why firms from particular home countries *favor* PCN expatriates over local managers, whereas the contextual mechanism explains why firms from particular home countries *need* PCN expatriates, rather than local managers, in key subsidiary positions. While societal characteristics such as culture and institutions are interrelated, our framework conceptualizes two distinct *mechanisms* through

which those characteristics shape firms' staffing decisions. Because our conceptual framework proposes that the two mechanisms work together to produce an outcome, the traditional correlation-based analytical methods assuming independence among causal conditions are not suitable. Instead, we adopt fuzzy-set qualitative comparative analysis (fsQCA), which employs a set-theoretic approach to identify one or more configurations of causal conditions that are associated with an outcome, i.e. the use of PCN expatriates in subsidiaries (Ragin, 2008). This method enables us to holistically analyze the *pattern* of inter-related causal conditions (Ragin, 1987).

Our study makes two key contributions – theoretical and methodological – that are in themselves interrelated. First, we present an overarching, theory-based framework to study the mechanisms underlying country-of-origin effects in MNCs' global staffing practices. Second, and closely related to our first contribution, we propose a new method to study country-of-origin effects in MNCs' global staffing practices. Societal-level conditions such as culture and institutions are hard to decompose, and it is thus best to understand them as a pattern of multiple, related components (Venaik & Midgley, 2015). Although the integration of these two perspectives in empirical tests is thus recognized as highly desirable, the conventional correlation-based statistical methods pose barriers to doing so. Using fsQCA as our methodological approach enables us to analyze various conceptually distinct, yet empirically intertwined, societal-level conditions as a pattern, and thus offers a viable solution to integrate different perspectives in international and comparative research.

A CONCEPTUAL FRAMEWORK FOR COUNTRY-OF-ORIGIN EFFECTS IN MNC GLOBAL STAFFING

Global staffing practices have taken up a prominent place in the international HRM literature ever since Perlmutter's (1969) seminal contribution. Although global staffing is an increasingly complex phenomenon, executive staffing practices in foreign subsidiaries are still

one of the most important aspects of global staffing for many MNCs. The choice between PCNs, HCNs and TCNs is influenced by a range of characteristics. Among them, country-of-origin, or the home country a MNC is originating from, is known to be an important determinant (Harzing & Sorge, 2003; Tung, 1982; Tungli & Peiperl, 2009), with East Asian countries in particular having maintained high levels of PCN staffing over the years (Belderbos & Heijltjes, 2005; Harzing, Pudelko & Reiche, 2016; Ge, Ando, & Ding, 2020), and some Continental European countries also displaying a similar practice (Mayrhofer & Brewster, 1996; Pudelko & Tenzer, 2013).

However, the *mechanisms* behind the country-of-origin effect in PCN staffing are under-theorized. This is a significant shortcoming in our understanding of this phenomenon, as “[a] firm’s nationality stands for so many things that it stands for nothing.” (Ramamurti & Hillemann, 2018:37). Thus far, studies analyzing the country-of-origin effect on MNC global staffing practices have compared PCN ratios by country (e.g. Tung, 1982; Tungli & Peiperl, 2009), treated countries as dummy variables (e.g. Harzing & Sorge, 2003; Pudelko & Tenzer, 2013) in ANOVA or regression analyses, or included home countries’ cultural value scores in their regression models (e.g. Harzing 2001). While these studies thus provide evidence on the *existence* of country-of-origin effects in PCN staffing, they do not elucidate its underlying *mechanisms*.

This lack of investigation into the mechanisms coincides with the wide-spread use of the label “ethnocentrism” to describe this practice. This term derives from Perlmutter’s classic typology¹, which characterizes MNCs according to three international orientations or attitudes: ethnocentric (or home-country oriented), polycentric (or host-country oriented), and geocentric (or world-oriented). In the IB field, the concept of ethnocentrism became “mystified”, i.e. “used routinely and preloaded with a particular meaning” (Michailova, Piekkari, Storgaard & Tienari, 2017:336), and is often considered undesirable, something that should be eliminated, or at the very least an indication of “backwardness”, an early stage of internationalization to

move out of. Using such an *evaluative* label (ethnocentrism) to describe an *observed* organizational-level practice (PCN staffing) is problematic as it implicitly signals that this practice is mainly associated with the ethnocentric disposition of the MNC and its home country thus obscuring other – equally important – underlying mechanisms of country-of-origin effects in PCN staffing.

In our study, we therefore propose a framework in which two mechanisms, dispositional and contextual, represent the cultural and institutional perspective respectively. Although cultural and institutional characteristics are closely intertwined *empirically* due to their complex inter-relations, the ways in which each influences MNCs' global staffing decisions is distinct, and thus we posit that the two mechanisms offer distinctive explanations as to why home country's cultural and institutional characteristics are likely to affect the use of PCNs.

Dispositional Mechanism: Ethnocentric Cultures that Favor Nationals over Non-nationals

The cross-cultural management literature focuses on national culture as the main source of societal differences. Similar to personality for an individual, national culture for a country is viewed as distinct from one country to another (Hofstede, 1980), and has a pervasive influence on its members' actions (Kirkman, Lowe, & Gibson, 2006). The use of the term “ethnocentric” staffing in the global staffing literature points to the home country's ethnocentric culture as the underlying reason for MNCs to appoint PCNs in their subsidiaries' top positions. The term ethnocentrism originates from Greek words *ethnos* (meaning “nation” or “people”) and *kentron* (meaning “center”).

The key to the construct involves a strong sense of ethnic group self-centeredness and self-importance (Bizumic, Duckitt, Popadic, Dru, & Krauss, 2009), thereby applying one's own national or ethnic group as the frame of reference in understanding other ethnic groups.

Bizumic and Duckitt (2012) further clarify that ethnocentrism consists of two independent facets: ingroup positivity through *intragroup* expressions of group cohesion and devotion, and outgroup negativity through *intergroup* expressions of preference for and superiority of one's own group. Although the two elements are often related, they are conceptually distinct; groups may display ingroup positivity without outgroup negativity, and vice versa. Such ethnocentric culture is internalized in the minds of MNC HQ managers and affects global staffing decisions.

We propose two key cultural conditions that are associated with ethnocentrism and that can be used to capture the impact of this mechanism on PCN use: ingroup collectivism and the trust gap between ingroups and outgroups. Conceptually, ingroup collectivism refers to the degree to which individuals express loyalty, pride and cohesiveness towards their own groups or collectives (e.g., House, Hanges, Javidan, Dorfman, & Gupta, 2004). It therefore primarily represents *intragroup* cohesiveness or ingroup positivity, one facet of ethnocentrism. On the other hand, the trust gap between ingroup and outgroup captures the degree to which individuals put trust in ingroup members relative to outgroup members (e.g., Delhey, Newton, & Welzel, 2011; Kramer, 2018). This therefore represents *intergroup* distance or outgroup negativity, another facet of ethnocentrism. Together these cultural conditions thus capture the degree of favoritism towards nationals over non-nationals, through the two key facets of ethnocentrism – ingroup positivity and outgroup negativity.

Research has shown that national cultural characteristics such as high levels of collectivism provide a significant explanation for why MNCs from some home countries do not localize their subsidiary staffing (Luo & Shenkar, 2006). Social identity theory (Tajfel, 1982) posits that social category memberships promote a positive distinctiveness of and a positive bias towards the ingroup, and thus lead to ingroup favoritism (Hewstone, Rubin, & Willis, 2002). In other words, a strong ingroup-outgroup distinction leads group members to develop positive affection towards ingroup members who share similar values and attitudes (Byrne, 1971) and derive a measure of self-esteem from group identity (Hewstone, et al.,

2002). In the context of MNCs' global operations, nationality often draws a key boundary between ingroups and outgroups. Therefore, in MNCs from countries characterized by high levels of ingroup collectivism, PCNs are likely to be favored in subsidiaries' top positions.

Furthermore, such ingroup favoritism is likely to be more pronounced if foreigners are perceived as less trustworthy than their own country nationals (Fukuyama, 1995). Although there is a general human tendency for trust towards ingroups to be higher than trust towards outgroups, research shows that the gap between the level of ingroup trust and outgroup trust varies widely across countries. For instance, based on large-scale cross-country data, Delhey, Newton and Welzel (2011) empirically demonstrate that the trust radius in some countries is relatively small whereas in other countries it is very large. In the context of global staffing practices, MNCs from home countries characterized by a large trust gap are likely to accord much lower trust towards foreign managers relative to their own nationals and thus favor PCNs in their subsidiary top positions.

In summary, we reason that MNCs from home countries with ethnocentric cultural dispositions, represented by high ingroup collectivism and a large trust gap, will *favor* PCNs in their subsidiaries' top positions because they are unwilling to accept non-nationals.

Contextual Mechanism: Institutions that Constrain Translation across Borders

The comparative institutionalism literature analyzes societal differences in institutional arrangements as key sources of differences in firm behaviors and outcomes between countries (Hall & Soskice, 2001; Whitley, 1992). It posits that societal institutions set “the rules of the game” for firms in organizing their activities (Maurice, Sorge, & Warner, 1980; Sorge, 1991). For example, the skill-development and control system, one of the key institutional features recognized in the national business systems framework (Hotho, 2014), may shape the supply of inputs available to firms and regulate the development of resources and capabilities within firms (Jackson & Deeg, 2008). Although studies of MNCs often focus on the impact of host

country institutional environments (e.g. Brouthers, 2002) and institutional distance between home and host countries (e.g. Ando & Park, 2013), MNCs' home country institutional environments also shape the way they manage foreign subsidiaries (Edwards & Ferner, 2002). For example, Tung (1982) suggested Japanese MNCs' staffing policy in their subsidiaries may reflect the employment system in their home country. Building on these studies, we focus on the employment system and the skill-development regimes that hinder MNCs' ability to translate their practices across borders as the underlying reason for MNCs to appoint PCNs in their subsidiaries' top positions.

A key task for MNCs is a seamless coordination of their operations across geographically dispersed locations. However, the true meaning of knowledge and practices often gets lost in translation and thus MNCs' ability to communicate across borders is of paramount importance. Classic communication theory posits a linear process encompassing the sender-encoding-transmitting-decoding-receiver flow (Shannon & Weaver, 1949), which brings to the fore the sender (HQ)'s challenge at the encoding and transmitting phases in cross-border translation. At the encoding phase of translation, any implied meaning or tacit aspect of the HQ's knowledge and practices must be extracted and clearly articulated. However, contextual knowledge is deeply embedded in its source context (Szulanski, 1996; Brown & Duguid, 2001) and is taken for granted by insiders, thus is hard to codify. In general, the more tacit the knowledge and practices are, the more challenging it is to translate them to different societal contexts. At the transmission phase, differences in native languages between HQ and subsidiaries create further challenges. Although the emergence of English as a global lingua franca has led many MNCs to use English as a corporate language (Harzing & Pudelko, 2013), managers from non-Anglophone countries often experience serious challenges in communication with their counterparts in other countries (e.g. Tenzer, Pudelko, & Harzing, 2014; Cuypers, Ertug, & Hennart, 2015).

We focus on two institutionally-driven conditions to capture the impact of the contextual mechanism on PCN use: inter-organizational labor mobility and English language proficiency. First, differences in employment systems lead to varying levels of inter-organizational employee mobility across countries (Hall & Soskice, 2001; Whitley, 2003). Low levels of inter-organizational labor mobility leads firms' key employees to accumulate a great deal of firm-specific, contextual knowledge for two reasons. First, in such an environment, employees develop long-term careers in the firm's internal labour market through a series of interconnected jobs; this provides ample opportunities for employees to acquire firm-specific knowledge (Lam, 2000). Second, the expectation of long-term employment encourages employees to acquire firm-specific knowledge by resolving concerns for non-transferability of such knowledge to other workplaces (Wang, He, & Mahoney, 2009). Hence, HQ managers in MNCs from such countries are likely to embody firm-specific contextual knowledge and use such taken-for-granted knowledge in communication. Under such circumstances, depth of "experience in the company" becomes a critical requirement for key subsidiary managers (Tung, 1982:63), as a result, PCNs fluent in contextual knowledge are preferred in key subsidiary positions as they fill the contextual knowledge gap.

Second, systematic societal differences in skill-development regimes promote national labor pools with different skill sets (Estevez-Abe, Iversen, & Soskice, 2001) including English language proficiency. A country's skill-development regime for English language proficiency, such as national-level curriculum and exam policies (e.g. Hu, 2005) and the development of a private English school industry (e.g. Iino, 2002), shape the supply of English language skills. A weak English skill-development regime leads to generally low levels of English language skills in the labor pool for HQ managers. Such constraints limit MNC HQs' ability to communicate with foreign subsidiaries without the use of a PCN intermediary at the subsidiary. The use of PCNs as bridge *individuals* contributes to the smooth translation of ideas between HQ and subsidiaries as it enables detection of misunderstanding and misinterpretation among

subsidiary managers. On the other hand, MNCs originating from countries with strong English skill-development regimes can use English as a bridge *language* between HQ and subsidiaries (Harzing, Köster, & Magner, 2011).

In summary, we reason that MNCs from home countries whose labor and educational institutions generate low inter-organizational labor mobility and low English language skills, will *need* to use PCNs in their subsidiaries' top positions because they need bridge individuals to fill the translation gap between HQs and subsidiaries.

Joint Influence of the Dispositional and Contextual Mechanism

While we have presented the two mechanisms separately, we expect the proposed causal relationships to be *conjunctural* such that the dispositional and contextual mechanisms work *together* to produce the outcome. For example, favoritism towards MNC's nationals (i.e. the dispositional mechanism) may not in itself determine the use of PCNs in key subsidiary positions, but if it is combined with difficulty in communicating with subsidiaries due to a lack of shared context and language (i.e. the contextual mechanism), HQs may appoint PCNs to key positions in subsidiaries because communication problems may be more pronounced if HQs significantly undervalues foreign managers. In addition, we expect *equifinality* in the causal relationships such that there may be multiple combinations of causal conditions leading to the same outcome (use of PCN expatriates). In other words, the four conditions, while operating through two distinct mechanisms, are functionally equivalent in leading MNCs to use PCN expatriates. As the four conditions manifest differently in each country, there may be countries with distinct combinations of the four conditions having similarly high levels of PCN use among their MNCs. To investigate such complex relationships between the four conditions and the outcome, we apply fsQCA with four carefully operationalized indicators as detailed in the next section.

METHODS

Methodology: fsQCA

FsQCA builds upon a set-theoretic approach. Unlike traditional approaches where researchers assign values to variables, in fsQCA, researchers assign set membership scores to cases. This method treats cases as a pattern of multiple, interdependent conditions, enabling researchers to conceptualize intersections of sets and thus, to handle causal complexity including *conjunction* and *equifinality* (Ragin, 1987). In line with this epistemological stance, fsQCA uses Boolean algebra to compare each case as a combination of causal conditions and the outcome, then logically derives the solution through a bottom-up process of paired comparisons (Fiss, 2011). This type of analysis is eminently suitable for our study because, as noted above, we expect conjunction and equifinality in the relationships between the four conditions and PCN use. In addition, fsQCA is suitable for small-sample analysis unlike linear regression which assumes linear causation and normality of distribution (Schneider & Wagemann, 2012). Sample sizes in country-level comparative studies tend to be limited and our study is no exception. In contrast to comparative case analysis (e.g. Eisenhardt, 1989), fsQCA enables more systematic and formalized analysis, which is often difficult to achieve when comparing more than two or three cases. As a result, this method allows some level of generalizability of the findings (Ragin, 1987) along with a nuanced understanding of complex causal relationships, such as identifying particular conditions that influence some cases but not others.

Data and Calibration

To construct our sample, we used multiple secondary sources for the causal conditions, and published primary data for the outcome (see Table 1). Our sample included ten home countries: Finland, France, Germany, Japan, the Netherlands, South Korea, Sweden, Switzerland, the United Kingdom (UK), and the United States (US). We chose the largest

economies in terms of FDI stock (UNCTAD, 2015) for two reasons. First, these countries have a large number of MNCs and subsidiaries; thus, their staffing patterns are less likely to be affected by idiosyncratic behaviors of particular MNCs. Second, we can expect their MNCs to have, on average, significant international experience, which is known to influence MNCs' staffing choice (Ando & Paik, 2013). Data availability allowed us keep 10 out of the largest 25 economies in our sample. However, the resulting sample showed substantive diversity in home country societal level conditions as well as in the use of PCN expatriates.

Insert Table 1 about here.

We use fuzzy sets in our analysis. A fuzzy set permits membership values in the interval between 0 (full non-membership) and 1 (full membership); the process of transforming raw scores into fuzzy-set membership scores is called calibration. Following Ragin (2008), our calibration used a logistic function and three anchor points: threshold for full membership, cross-over point, and threshold for full non-membership, which correspond to a 0.95, 0.50 and 0.05 membership score, respectively. Following Ragin (2008), we based the specification of anchor points on relevant theory and prior expert knowledge.

Outcome Measure: Use of PCN expatriates in subsidiary top management teams

For each MNC home country in our sample, we calculated the average ratio of PCN expatriates in subsidiary top management teams (the managing director, and the heads of finance, marketing, manufacturing, and R&D) among MNCs from the country, using Harzing, Pudelko and Reiche (2016) and Hyun, Oh & Paik (2015). Harzing et al. (2016) is the only work published in the last decade that provides information on PCN use for MNCs from more than three home countries across a wide range of host countries and industries. At our request, the authors provided us access to their original data-set to calculate our outcome measure. Their

data were collected between 2008 and 2010 in more than 800 MNC subsidiaries that employed at least 100 employees, were located in thirteen *host* countries or regions, represented a wide range of industries, and varied in structural characteristics and the functions they performed. As a result, many of the industry, organizational and host country characteristics that might influence staffing practices were largely randomized, which allows us to focus on the remaining differences in terms of country-of-origin.² As the number of subsidiaries of South Korean MNCs included in the Harzing et al. (2016) data was too small (n=10), we used data from Hyun, Oh & Paik (2015).

Dispositional Conditions

Ingroup collectivism. We adopted ingroup collectivism scores from the GLOBE study (House et al., 2004). We used the ‘as is’ (or ‘cultural practice’) scores which were designed to tap into the widespread cultural practices in a given society and applied GLOBE’s “bands” as the basis for calibration. The GLOBE study categorized the 62 surveyed countries into three bands (A, B, C) of ingroup collectivism. We used the cut-off point (5.35) for high ingroup collectivism as the threshold for full membership and the cut-off point (4.35) between the middle and low ingroup collectivism bands as the cross-over point. As the threshold for non-membership, we used 4.00, the neutral point of the scale.

Trust gap between ingroup and outgroup (henceforth called trust gap). We calculated the trust gap, the difference between trust towards the ingroup and the outgroup, using the 5th (2005-2008) and 6th waves (2010-2014) of the World Values Survey (WVS, World Values Survey Association). Following Delhey, et al. (2011), we calculated ingroup trust scores by averaging responses on three items that indicate how much members of a country trust (1) people in their neighborhood, (2) people they know personally and (3) their family. For outgroup we likewise calculated trust scores by averaging responses on three items that measure how much members of a country trust (1) people they meet for the first time, (2)

people from another religion, and (3) people from another nationality. We subsequently calculated the gap scores by subtracting the latter from the former. We used two waves because some of the countries in our sample were included in one wave only. The trust gap scores across countries showed high inter-wave correlations (.84) and we took the average scores of the two waves for countries included in both waves.

Extant comparative studies suggest that Chinese are among the least inclined to extend trust beyond a small circle of social networks of friends and kinship (Fukuyama, 1995), and that Japanese also show a similar reluctance (Yamagishi & Yamagishi, 1994). Relatively non-differential levels of trust towards familiar people and strangers are usually observed in countries with a highly rule-based and universalistic tradition such as the United States (Yamagishi & Yamagishi, 1994; Zucker, 1986) and the Nordic countries (Muethel & Bond, 2013). Drawing on these findings, we use the score for Sweden (0.63) as the threshold for full non-membership and the score for China (1.41) as the threshold for full membership. We chose 1.01 as a cross-over point, which is the midpoint between the scores of South Korea (1.08) and Germany (0.94). While the two countries are positioned next to each other in our sample in terms of trust gap, the former belongs to the Confucian cultural cluster along with China and Japan, and the latter has universalistic tradition (Trompenaars & Hampden Turner, 1997).

Contextual Conditions

Labor mobility. To operationalize labor mobility, we extracted employee tenure data for 2006 from national labor statistics (OECD Statistics; Ministry of Health, Labor and Welfare of Japan, 2007). We used the proportion of working age people who have been working for their current employer for ‘10 years or more’ – the longest tenure segment available in the OECD statistics – and created a measure of labor mobility by subtracting raw scores from 100%.

To calibrate the data, we drew on prior studies on labor markets in the comparative institutionalism literature, pointing to high levels of labor mobility in Anglo countries and low

levels in Japan and Southern European countries (e.g. Amable, 2003; Hall & Soskice, 2001). We chose 80% and 50% as thresholds for full membership and full non-membership, representing the highest score among the Anglo countries and the lowest score among Japan and the Southern European countries over the period from 1995 to 2014. To decide on the cross-over point, we reviewed the distribution of historical scores for the two groups of countries. The distribution of Japan and South European countries was 50%-70%, that of Anglo countries 69%- 80%. Hence, we used 69.5% to separate the two groups.

English language proficiency. To capture the level of English language proficiency, we used the EF English Proficiency Index for Companies (EPIc), published by EF Education First (2014). This index provides country-level scores of English language proficiency (on a scale from 0 to 100) among workers in more than 30 countries. Unfortunately, EPIc data are not available until 2014, which is after our outcome data was collected. We therefore verified the scores by comparing them with TOEFL scores for 2005-2006 (Educational Testing Service, 2007)³. We chose 79 and 48 as the thresholds for full membership and full non-membership, because scores above 79 correspond to the C1-level (effective operational proficiency or advanced) in the Common European Framework of Reference for Languages (Council of Europe, 2001) and scores below 48 correspond to the A2-level (waystage or elementary). We used 57 as the cross-over point, as this score separates ‘high or moderate proficiency’ countries from ‘low proficiency’ countries in EPIc. For countries where English is the native language (i.e. the UK and the US), we assigned a 100 score (i.e. the highest value in English language proficiency).

Table 1 provides the definition, data type, data sources, year of original data collection, and thresholds and sources for calibration for the outcome and the causal conditions. Table 2 reports the raw data and calibrated scores for the outcome and causal conditions for the ten countries included in our sample.

Insert Table 2 about here.

RESULTS

Necessary conditions

The test of necessity in fsQCA shows whether any of the individual causal conditions is necessary to generate an outcome. We thus examined whether or not the presence of ingroup collectivism and trust gap as well as the absence of labor mobility and English language proficiency are necessary for the outcome (PCN use). We also conducted an analysis of “substitutable necessary conditions” (Ragin, 2006), which tests whether any two conditions joined by a logical “or” are a necessary condition for the outcome and thus examines whether two conditions are functionally equivalent. Following prior recommendations (Ragin, 2006; Schneider & Wagemann, 2012), we used a conservative consistency score of 0.90 as the threshold for causal necessity.

The results (see Table 3) indicate none of the four conditions *on its own* is necessary for the use of PCN expatriates in subsidiaries (consistency scores lower than .90). The analysis of substitutable necessary conditions shows that all six possible combinations of two conditions may be necessary (consistency scores higher than .90) and “relevant” (Ragin, 2006; coverage scores higher than 0.50) to the outcome. This suggest it may be necessary for the MNC’s home country to display at least three of the four proposed conditions to lead to the use of PCN expatriates, because if a country lacks more than one condition, it cannot satisfy all six substitutable necessary conditions. This also indicates that our four conditions are “functionally equivalent” (Ragin, 2006) to one another in producing the same outcome, consistent with our conceptual argument that different societal conditions (in combination) might lead to the same outcome (i.e. use of PCN expatriates).

Insert Tables 3 & 4 about here.

Sufficient conditions

The sufficiency analysis in fsQCA identifies combinations of conditions that are sufficient for the outcome, by logically minimizing the truth table that reflects all possible combinations of conditions. In Table 4, we report the truth table, sorted by case frequency and including the numbers, raw consistency and PRI consistency scores, and names of cases in each configuration. Each case is categorized into one of 16 ($= 2^4$) configurations by assigning 1 to fuzzy membership scores $>.50$ and 0 to those $<.50$. We used 0.80 as an acceptable consistency threshold (Ragin, 2006), and set the minimum case frequency threshold as one (Crilly, 2011). We specified the algorithm to assume directional expectations in specifying prime implicants as we expect the presence (ingroup collectivism, trust gap) and absence (labor mobility, English language proficiency) of the causal conditions to lead to the outcome.

Following Ragin (2008) and Fiss (2011), we present core and peripheral causal conditions, based on parsimonious and intermediate solutions, respectively. Parsimonious solutions are derived by logically minimizing conditions solely based on empirical evidence, while intermediate solutions consider both empirical evidence and theoretical expectations (Ragin, 2008; Schneider & Wagemann, 2012). Thus, an intermediate solution involving both core and peripheral conditions is used as the basis for examining our predictions.

Table 5 shows two solution configurations for the use of PCN expatriates. The overall solution consistency score is 0.99, well above the commonly used threshold of 0.80 (Schneider & Wagemann, 2012). As shown by the overall coverage score of 0.71 the two solutions jointly account for 71% of the membership in the outcome, indicating they provide a substantive explanation for the use of PCN expatriates. The raw coverage scores (0.53 for solution 1a and 0.58 for solution 1b) indicate each solution provides a substantive explanation, and the unique

coverage scores (0.13 and 0.18, respectively) indicate that, after controlling for the overlap between the two solutions, both solutions are empirically important. We use four signs (●, ⊗, ●, ⊗), with larger circles indicating core conditions and the smaller circles peripheral conditions. The solid and cross-marked circles indicate that the *presence* and *absence*, respectively, of the condition is sufficient for the outcome. No sign means that the data did not indicate the condition as part of the solution. Following Schneider & Wagemann (2012) and Ruthen (2020), we conducted a series of sensitivity tests (available from the authors on request) by adding and removing cases, using alternative calibration thresholds for the outcome and conditions, and using different thresholds for consistency. The results are consistent with the results presented here, indicating the robustness of our results.

 Insert Table 5 about here.

The results show two different scenarios of PCN use. Solution 1a in Table 5 shows that a combination of high ingroup collectivism with low labor mobility and low English language proficiency is sufficient to generate a high use of PCN expatriates. Solution 1b shows that a different combination of conditions, high ingroup collectivism and high trust gap with low English language proficiency, is also sufficient to generate a high use of PCNs. In both solutions, high ingroup collectivism (a dispositional condition) and low English language proficiency (a contextual condition) are the common core conditions that contribute to the high use of PCNs, confirming our theoretical argument that the dispositional and contextual mechanism will work together to produce an outcome (i.e. conjunctural causation). Comparison of solution 1a and solution 1b shows that France and South Korea represent two slightly different scenarios for why home countries might use PCNs in their subsidiaries. While both solutions share high ingroup collectivism and low English language proficiency as the core causal conditions, solution 1a, representing France, adds low labor mobility as a

peripheral causal condition thus highlighting a contextual explanation. On the other hand, solution 1b, representing South Korea, includes high trust gap as a peripheral causal condition, thus highlighting a dispositional explanation. For Japan, which has both low labor mobility and a high trust gap, either pathway applies as a reason for why Japan shows a high use of PCNs. In other words, Japan satisfies all four conditions, thus the presence of three conditions – all but the trust condition for solution 1a and all but the labor mobility condition for solution 1b – is sufficient for high levels of PCN use at the country-level. Overall, our results are consistent with the notion of equifinality such that different combinations of conditions can lead to the same outcome.

Moreover, Table 5 also shows one configurational pathway towards non-use of PCNs (i.e. absence of PCN use or negation of the outcome in fsQCA): a combination of low ingroup collectivism and trust gap, and high English language proficiency (solution consistency of 0.98; solution coverage of 0.86). This provides further support that dispositional and contextual mechanisms work together to provide an explanation of the country-of-origin effect on MNCs' PCN staffing practices. Seven countries - Germany, Finland, the Netherlands, Sweden, Switzerland, the UK, and the US - satisfy this configuration. This configuration mirrors solution 1b of the main analysis, and highlights that it is a low ethnocentric disposition combined with high English language proficiency that explains MNCs' non-use of PCNs.

DISCUSSION

Drawing on the cross-cultural management and comparative institutionalism literatures, we offered a holistic approach to analyzing the possible causal conditions for the country-of-origin effect on PCN staffing by proposing two underlying mechanisms: *dispositional* and *contextual*. The dispositional mechanism reflects the MNCs' country-of-origin's cultural disposition of favoring nationals over non-nationals and is operationalized by the conditions of ingroup collectivism and the trust gap between ingroups and outgroups. The contextual mechanism

reflects the country-of-origin's contextual constraints that limit MNCs' ability to communicate with non-nationals and is operationalized by the conditions of low labor mobility and low English language skills. Using fsQCA, we found that both mechanisms have considerable explanatory power.

Our analyses demonstrate that we need both the dispositional and the contextual mechanism to explain the outcome, and either one of them alone does not explain the outcome. Specifically, solution 1a suggests communication challenges (due to low labor mobility and low English language proficiency) alone may not lead to a high use of PCNs, but they will lead to the outcome if there is also a high level of ethnocentrism (due to ingroup collectivism) in the home country culture. Similarly, solution 1b suggests ethnocentric attitudes towards nationals and non-nationals (due to ingroup collectivism and a large trust gap) may not on their own lead to a high use of PCNs in foreign subsidiaries, but they do if there are also a significant communication challenges (due to low levels of English language proficiency).

We argue that the use of the label "ethnocentric staffing practices" to describe PCN staffing might have led to the assumption that it is the self-centeredness and self-importance of one's own ethnic group or culture that is the dominant rationale underlying the choice of this type of staffing, a rationale that in this study we have described as "dispositional", downplaying the fact that there might be sound contextual rationales for this type of staffing practice. We suggest that this points to a number of broader issues that comparative and international research should address.

First, a likely reason for the over-emphasis of cultural dispositions might be the observer status of scholars to *Other* actors such as East Asian and some European firms. Specifically, the fundamental attribution error, or the tendency of an observer to attribute the cause of an actor's behavior to *internal* dispositions rather than to *external* contextual influences, might have led to an over-emphasis of the narrow dispositional interpretation of country-of-origin effects on MNCs' PCN staffing.

Second, the over-emphasis of cultural dispositions might also be related to the dominance of the cultural values approach in theorizing country-level differences in the 1980s and 1990s when investigation into country-of-origin effects into subsidiary staffing emerged. Studying cultural values in multi-country comparative studies dates back to the 1980s when Hofstede (1980) first introduced the values-based ‘cultural dimensions’ to explain variation across countries. The introduction of the ‘cultural distance’ concept (Kogut & Singh, 1988), which uses Hofstede’s cultural values scores in calculating cultural distance between any two countries, rapidly accelerated the adoption of the cultural values approach. Hence, the prevalence of these views among IB researchers at the time, helped by the convenience of using widely available cultural-dimensions scores, likely proliferated disposition-based theorizing to country-level differences in staffing practices, deemphasizing alternative context-based explanations that were more popular in the Organization Studies field.

Implications for Theory

The key implication of our study relates to theorizing on country-of-origin effects. To date theorizing of country-of-origin effects in PCN staffing practices has been predominantly (cultural) disposition-based. Salient or unique cultural dispositions of a country, while helping us understand behaviors of MNCs originating from this country, also narrow the scope of our theorizing. By integrating the cross-cultural management and comparative institutionalism literatures, we presented an overarching, theory-based framework to study the mechanisms underlying country-of-origin effects in MNCs’ global staffing practices. By explicitly incorporating the contextual perspective in their theorizing, researchers are better positioned to identify boundary conditions that enable or suppress certain cultural values or dispositions to be expressed in MNC global staffing. Acknowledging the differences in situational strength across contexts will be an important step forward to expand and refine theories that link

country-of-origin and MNCs' subsidiary staffing practices, and, by extension, theorizing the link between country-of-origin and any other MNC management practices.

Our dispositional-contextual framework can also be used to investigate the underlying mechanisms of determinants of global staffing *other* than home-country conditions, such as industry, host country, subsidiary function, and establishment mode. For example, contextual explanations suggest that the IT industry might be less likely to use PCNs because of high levels of codification in the industry, whereas cultural industries might use more PCNs due to the nature of knowledge in these industries which is hard to codify. In terms of host country effects, existing explanations mainly focus on contextual factors, such as the availability of suitably-qualified local talent in the host country (Harzing, 2001; Gong 2003). Dispositional explanations suggest that the relative status of the home country versus the host country might also be important. For instance, advanced economy MNCs might send more PCNs to subsidiaries in emerging economies, as the host countries' relative lack of status is likely to foster favoritism of PCNs over HCNs, whereas such effect might be weaker for emerging economy MNCs considering staffing for subsidiaries in advanced economies. Furthermore, manufacturing and R&D subsidiaries have higher communication and knowledge sharing needs across borders than sales subsidiaries and are thus likely to be influenced by contextual constraints in this area. The same is likely to apply to new subsidiaries (greenfields and young subsidiaries) versus established subsidiaries (acquisitions and older subsidiaries). In contrast, the dispositional mechanism might have stronger explanatory power for national/regional HQ, as they typically deal with strategic and financial issues, and thus the HQ might be more sensitive about the trustworthiness of their managers.

Finally, our findings have implications for changes in MNCs' staffing practices over time. Whereas national culture is typically considered to be fairly stable, the institutional environment might change more quickly. For example, reforms in language education have resulted in recognizable changes in English language proficiency in some countries such as

Germany and Switzerland (EF Education First, 2014). Such changes in the home country's institutional environment influence the resource constraints MNCs encounter and thus, might result in changes in MNCs' staffing decisions over time. We further speculate that the emergence of English as a corporate language might provide at least a partial explanation for the significant reduction of PCN expatriates over the last decade in MNCs from Germany, Switzerland, the Netherlands and the Nordic countries (Harzing & Noorderhaven, 2008; Harzing et al., 2016). These countries have either maintained high levels of English language proficiency or have improved significantly over the period and the vast majority of MNCs from these countries have now instituted English as their formal corporate language (Harzing & Pudelko, 2013). In contrast, MNCs from France, South Korea and Japan show a much more moderate change in terms of their usage of PCNs, coinciding with relatively low English language proficiency (EF Education First, 2014) and – in the case of Japan – limited use of English as corporate language (Harzing & Pudelko, 2013).

Implications for Practice

Our findings suggest that for MNCs from home countries with a lack of labor mobility and low English language proficiency, reducing their reliance on PCN expatriates might be detrimental to their capability to share their core knowledge and practices across national boundaries. Given the significant reduction in the use of PCNs especially among MNCs from Western countries over the last three decades, MNCs worldwide might face isomorphic pressure to reduce their reliance on PCN expatriates. By using the rather value-laden expression “ethnocentric staffing”, research and business education might have also contributed to this isomorphic pressure (Michailova et al., 2017). Therefore, MNCs from home countries with different institutional environments need to be cautious in following such isomorphic pressure and instead carefully evaluate the role of PCN expatriates in their global operations, particularly in terms of sharing of knowledge and practices across borders.

Limitations and suggestions for future research

Due to limitations with regard to data availability, our main empirical analyses included only ten countries. Hence, the results of our sufficiency analysis need to be interpreted with some caution (Schneider & Wagemann, 2012), although sensitivity tests suggest the robustness of our findings. In addition, our sample includes a large proportion of Western countries, most of which exhibit low levels of PCN use, which might have affected the results of our analyses. It would be desirable to re-examine our findings with a bigger dataset, including both a larger number of observations and a wider coverage of home countries.

Second, sample size limitations also meant that for our outcome variable we decided to study the top-5 positions (managing director and the heads of production, R&D, marketing and finance) in the subsidiary at an aggregate level in order to avoid sample idiosyncrasies for individual positions. Sensitivity tests looking at the MD position only – an outcome variable used in some of the prior research – suggest the robustness of our findings. We acknowledge that there might well be a country-of-origin effect in the use of PCN staffing for specific functional areas in that MNCs might use PCNs in areas they consider to be part of their core competences and in which they are keen to transfer management practices (see Pudielko & Harzing, 2017 & 2018). Although potentially a very fruitful avenue of future research, the data collection challenges for such a project are considerable; it will be very hard to collect a large enough sample for any function beyond the Managing Director position, for which secondary data are often available.

Third, in order to capture the dispositional and contextual mechanisms we theorized the impact of the four most logically salient causal conditions in our analysis. We had to limit the number of conditions to four, due to the relatively small number of countries included in our analysis. With the prospect of an increasing data availability for more countries, future research could include additional cultural and institutional conditions that might be relevant to explain MNCs' global staffing. For example, it could include MNCs' corporate cultural

conditions that may or may not be aligned with their home-country's cultural conditions, leading to a more sophisticated investigation of the dispositional mechanism. Moreover, home countries' contextual constraints may be less pronounced for truly transnational MNCs that may make frequent use of TCNs and inpatriates.

Finally, our four conditions are not completely independent from one another, a position shared by many other conditions in international and comparative research. For example, it is possible that English language proficiency might be related to the strength of ingroup collectivism and/or outgroup trust. The fsQCA method, however, does not assume independence between proposed causal conditions (Ragin, 2008), and is thus ideally suited for this type of research. Many country-level cultural and institutional conditions that are the focus of attention in comparative and cross-cultural studies are not independent from one another, yet they can be meaningfully investigated together as separate conditions.

CONCLUSION

Our study has revisited country-of-origin explanations for MNCs' global staffing practices. Drawing on the cross-cultural management and comparative institutionalism literatures, we proposed two mechanisms that link home-country-level conditions and MNCs' "ethnocentric" staffing practices – or our preferred, more neutral term, MNCs' use of PCN expatriates – the dispositional mechanism and the contextual mechanism. Using fsQCA, our analysis revealed that both contextual and dispositional conditions are required to sufficiently explain country-of-origin effects. We suggested that the prevalent usage of the term "ethnocentric" staffing and the fundamental attribution error, combined with the dominant cultural values framework, might have led to an over-emphasis of national cultural dispositions over institutional contexts in explaining country-of-origin effects in MNC global staffing practices. Emerging and non-Western economies are rapidly expanding their footprints in the world economy and MNCs from those economies are becoming more prominent. It therefore behooves us as scholars to

expand our research horizons by re-examining the taken-for-granted intellectual styles and dominant paradigms. Although this call is by no means new, recent special issues (see e.g. Barkema et al. 2015) suggest that we still have some way to go before we can truly achieve a better understanding of the complexities of MNC contexts.

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Table 1. Outcome and causal conditions: Definitions, data type and sources

| Outcome/ Causal Condition | Definition | Data Type | Sources | Years of data collection | Calibration thresholds | Calibration sources |
|-------------------------------------|---|---|--|---|--|--|
| Use of PCN expatriates in TMT | The average ratio of PCN expatriates in the subsidiary top management team (the managing director and the heads of finance, marketing, manufacturing, and R&D) | 0-100% | Harzing et al. (2016) Hyun et al. (2015) | 2008-2010 2005-2007 | Fully-in: 50% Cross-over: 20% Fully-out: 0% | Tung (1982), Harzing (2001), Harzing et al. (2016) |
| Ingroup collectivism | The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families | 7-point Likert scale | GLOBE project by House et al. (2004) | 1994-1997 | Fully-in: 5.35 Cross-over: 4.35 Fully-out: 4.00 | House et al. (2004) |
| Trust gap | The difference in the levels of trust towards familiar people (ingroup) and towards strangers (outgroup) | 4-point Likert scale for both ingroup and outgroup trust | World Values Survey, 5th and 6th waves | 2005-2008 (5th wave), 2010- 2014 (6th wave) | Fully-in: 1.41 Cross-over: 1.01 Fully-out: .63 | World Values Survey (5th and 6th waves), Fukuyama (1995), Yamagishi & Yamagishi (1994), Zucker (1986), Muethel & Bond (2013), Trompenaars & Hampden-Turner (1997) |
| Labor mobility | The reversed proportion of working age employees who have been working for their current employer for 10 years or more | 0-100% | OECD Statistics, Ministry of Health, Labor and Welfare of Japan (2007) | 2006 | Fully-in: 80.00 Cross-over: 69.00 Fully-out: 50.00 | Hall & Soskice (2001), Amable (2003), OECD statistics |
| English language Proficiency | The average levels of English language proficiency among professionals | 0-100 | EPI-c (EF English First, 2014) [TOEFL, 2007] | 2013 [2005-2006] | Fully-in: 79.00 Cross-over: 57.00 Fully-out: 48.00 | EF EPIc (EF, 2014), CEFR for Languages (Council of Europe, 2001) |

Table 2. Raw scores, means and standard deviations of the outcome and the causal conditions

| Outcome/ causal conditions | Country | | | | | | | | | | Descriptive statistics | |
|--|---------|---------|---------|--------|------------------|----------------|--------|------------------|--------|--------|------------------------|-------|
| | Finland | France | Germany | Japan | Nether- lands | South Korea | Sweden | Switzer- land | UK | USA | Mean | s.d. |
| Raw scores | | | | | | | | | | | | |
| Use of PCN expatriates in TMT | 7.71% | 21.32% | 15.88% | 30.49% | 10.65% | 24.00% | 6.03% | 9.55% | 11.46% | 7.25% | 14.43% | 8.26% |
| Ingroup collectivism | 4.07 | 4.37 | 4.27 | 4.63 | 3.70 | 5.54 | 3.66 | 3.91 | 4.08 | 4.25 | 4.25 | 0.54 |
| Trust gap | 0.81 | 0.72 | 0.94 | 1.21 | 0.90 | 1.08 | 0.63 | 0.74 | 0.73 | 0.67 | 0.84 | 0.19 |
| Labor mobility | 63.95% | 57.92 % | 59.43% | 53.12% | 62.73% | 84.09% | 63.68% | 68.85% | 72.07% | 75.14% | 66.10% | 9.13% |
| English language proficiency ^a | 68.01 | 55.68 | 60.48 | 53.61 | 71.47 | 49.88 | 71.31 | 64.69 | - | - | 61.89 | 8.27 |
| Calibrated scores | | | | | | | | | | | | |
| Use of PCN expatriates in TMT | 0.14 | 0.53 | 0.35 | 0.74 | 0.20 | 0.60 | 0.11 | 0.17 | 0.22 | 0.13 | | |
| Ingroup collectivism | 0.08 | 0.51 | 0.33 | 0.70 | 0.00 | 0.97 | 0.00 | 0.02 | 0.09 | 0.30 | | |
| Trust gap | 0.17 | 0.10 | 0.37 | 0.81 | 0.29 | 0.63 | 0.05 | 0.11 | 0.10 | 0.06 | | |
| Labor mobility | 0.30 | 0.14 | 0.18 | 0.07 | 0.26 | 0.98 | 0.29 | 0.48 | 0.68 | 0.83 | | |
| English language proficiency | 0.82 | 0.39 | 0.62 | 0.24 | 0.88 | 0.09 | 0.88 | 0.74 | 1.00 | 1.00 | | |

Notes. ^a We do not have raw scores of English language proficiency for the UK and the US, therefore the mean and s.d. calculations include eight countries only.

Table 3. Analysis of Necessary Conditions

| Condition | Consistency | Coverage |
|---|-------------|----------|
| Single condition | | |
| Ingroup collectivism | 0.78 | 0.82 |
| Trust gap | 0.76 | 0.93 |
| Lack of labor mobility | 0.82 | 0.45 |
| Lack of English language proficiency | 0.87 | 0.82 |
| Combination of two conditions | | |
| Ingroup collectivism + trust gap | 0.92 | 0.79 |
| Ingroup collectivism + lack of labor mobility | 1.00 | 0.46 |
| Ingroup collectivism + lack of English proficiency | 0.94 | 0.79 |
| Trust gap + lack of labor mobility | 1.00 | 0.50 |
| Trust gap + lack of English language proficiency | 0.94 | 0.80 |
| Lack of labor mobility + lack of English language proficiency | 1.00 | 0.48 |

+: Presence of either condition or of both conditions.

Table 4. Truth Table for Sufficiency Analysis

| Ingroup collectivism | Trust gap | Labor mobility | English language proficiency | Number of cases | Raw consistency | PRI consistency | Cases with membership |
|-------------------------|-----------|-------------------|------------------------------------|--------------------|--------------------|--------------------|--|
| 0 | 0 | 0 | 1 | 5 | .44 | .00 | Finland, Germany, Netherlands, Sweden, Switzerland |
| 0 | 0 | 1 | 1 | 2 | .44 | .00 | UK, US |
| 1 | 0 | 0 | 0 | 1 | 1.00 | 1.00 | France |
| 1 | 1 | 0 | 0 | 1 | 1.00 | 1.00 | Japan |
| 1 | 1 | 1 | 0 | 1 | .97 | .87 | South Korea |
| 0 | 0 | 0 | 0 | 0 | - | - | - |
| 0 | 1 | 0 | 0 | 0 | - | - | - |
| 0 | 0 | 1 | 0 | 0 | - | - | - |
| 1 | 0 | 1 | 0 | 0 | - | - | - |
| 0 | 1 | 1 | 0 | 0 | - | - | - |
| 1 | 0 | 0 | 1 | 0 | - | - | - |
| 0 | 1 | 0 | 1 | 0 | - | - | - |
| 1 | 1 | 0 | 1 | 0 | - | - | - |
| 1 | 0 | 1 | 1 | 0 | - | - | - |
| 0 | 1 | 1 | 1 | 0 | - | - | - |
| 1 | 1 | 1 | 1 | 0 | - | - | - |

Table 5. Configurations for the Use and Non-use of PCN Expatriates

| Conditions | Use of PCN | | Non-use of PCN |
|--|---------------|--------------------|--|
| | Solution 1a | Solution 1b | Solution 1 |
| <i>Dispositional conditions</i> | | | |
| Ingroup Collectivism | ● | ● | ⊗ |
| Trust Gap | | ● | ⊗ |
| <i>Contextual conditions</i> | | | |
| Labor Mobility | ⊗ | | |
| English Language Proficiency | ⊗ | ⊗ | ● |
| Consistency | 1.00 | 0.98 | 0.98 |
| Raw coverage | 0.53 | 0.58 | 0.86 |
| Unique coverage | 0.13 | 0.18 | 0.86 |
| <i>Overall solution consistency</i> | | 0.99 | 0.98 |
| <i>Overall solution coverage</i> | | 0.71 | 0.86 |
| Examples | France, Japan | Japan, South Korea | Germany, Finland, Netherlands, Sweden, Switzerland, UK, and US |

Note: ● = presence of condition, ⊗ = absence of condition, blank = absence or presence does not matter; large symbols show core condition (parsimonious solution), small symbols show peripheral condition.

¹ Earlier studies (e.g. Banai, 1992; Schuler, Dowling, & DeCieri, 1993; Zeira, 1976) referring to Perlmutter's work appropriately write about ethnocentric *attitudes*, which encompass "structure, process of decision making, control mechanisms, and political identification" (Zeira, 1976:34) and identify PCN staffing as one of the many aspects of this attitude. However, in many subsequent studies the term ethnocentric has become inextricably linked to staffing; sometimes Perlmutter's typology was even reinterpreted as a typology of staffing practices only (see e.g. Banai & Sama, 2000; Shen, 2006; Thompson & Keating, 2004). As aptly summarized by Collings, Scullion, and Dowling (2009:1258): "While global staffing was not the key focus of Perlmutter's (1969) study on the multinationality of international firms, his contribution, and typology of MNEs [...] has long since guided research in the field of global staffing."

² We accept that firm-level heterogeneity may account for some of the variation observed at the country-level. Using the original data-set, we therefore ran a regression analysis including the country-of-origin of the MNC as well as key factors that have been shown to influence staffing practices in prior studies such as the host country, the establishment mode (greenfield vs acquisition), the industry the firm operates in, as well as subsidiary size and age. Although the level of explained variance for the country of origin was indeed reduced by about 40% when the five additional factors were included in the analysis, it was still by far the largest factor in terms of explained variance.

³ Country scores for EPIC 2014 and TOEFL scores for 2005-06 are highly correlated ($r = .84$). Although TOEFL scores are not an appropriate alternative in our study because our focus is employees rather than students, this provides us with some reassurance for using the more recent EPIC data.